

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING
810 FIRST ST., NE, SUITE 701
WASHINGTON, DC 20002**

IN THE MATTER OF:

**Group Hospitalization and Medical Services, Inc.
Rate Filing #1284 DC, Comprehensive Major
Medical, H16I Individual Health - Major Medical
SERFF Tracking Number CFAP-126300797**

CASE No. IB-RF-01-10

ORDER

Background

On September 14, 2009, Group Hospitalization and Medical Services, Inc. (“GHMSI”) filed with the Department of Insurance, Securities and Banking (“Department”) a rate proposal for GHMSI Inc. d/b/a CareFirst BlueCross BlueShield's Individual, Non-Medigap Indemnity Comprehensive Major Medical, Rate Filing #1284DC, SERFF Tracking Number CFAP-126300797 (“Filing”). In the Filing, GHMSI proposed a 35.0% rate increase to the Comprehensive Major Medical (CMM), 2-tiered, 3-year age banded, Underwritten and Group Conversion Coverage, and to the 4-tiered Underwritten. The proposed rate increase had an effective date of January 1, 2010. On October 19, 2009, the Department approved the Filing.

Subsequent to the Department’s approval of the Filing, Department staff discovered that the Filing did not meet the requirements of section 9 of the Hospital and Medical Services Corporation Regulatory Act of 1996 (D.C. Law 11-245; D.C. Official Code § 31-3508) (“HMSCR Act”), which governs the filing of forms and rates by a hospital and medical services corporation. Specifically, the Filing was incorrect because GHMSI did not incorporate the premium rates approved by the Department for 2009 into its administrative system, and as a result, the affected subscribers were charged the prior year’s premium rates. This error caused the loss ratio for the product subject to the Filing to be higher than if the company had charged the correct premium. The incorrect loss ratio was used to support the approval of the Filing and the 35% increase in rates beginning January 1, 2010. The loss ratio provided in the Filing was a material basis for the Department’s approval of the Filing.

Findings

The Department of Insurance, Securities and Banking, having again reviewed the Filing, makes the following findings:

- (1) The Filing did not provide accurate loss ratio information needed to support the rate increase of 35% of the previous year's approved rates as required by section 9(b) of the HMSCR Act;
- (2) The Filing contained a material misrepresentation by understating the premium income in the filing by using premium rates less than those approved by the Department;
- (3) The incorrect loss ratio information constitutes a material misrepresentation and was improperly used to support the increase in rates requested by GHMSI in the Filing;
- (4) The Filing would not have been approved with a 35% increase had the Filing contained premium information based on the prior year's approved rate filing for the policy form; and
- (5) Because it did not meet the requirements of the HMSCR Act, the Commissioner finds that an order, pursuant to section 9(d) of the HMSCR Act, providing that the Filing is no longer effective after the waiting period identified in the order, is appropriate.

IT IS THEREFORE ORDERED, based on each of the **FINDINGS** set forth above, that the approval of the Filing provided on October 19, 2009, is hereby rescinded, and the rates approved in the Filing shall no longer be effective after March 7, 2010;

IT IS FURTHER ORDERED, THAT GHMSI shall continue to charge individuals the rate they were paying for the policy form subject to the Filing prior to January 1, 2010, until GHMSI files and receives approval for a revised rate, and the effective date of any new rate shall begin after 90 days of prior notice of the new rates to subscribers so as to provide them with the opportunity to investigate alternative health insurance coverage; and

IT IS FURTHER ORDERED, THAT GHMSI immediately contact the affected subscribers and refund any amounts charged in excess of the rates charged prior to January 1, 2010, with interest at 5%, on the excessive amounts charged.

It is so **ORDERED** on the date stated herein below.



Gennet Purcell
Commissioner

Dated this 3rd day of March 2010.